



Employees' Retirement Board of Rhode Island

Monthly Meeting Minutes

Wednesday, July 14, 2010

9:00 a.m.

8th Floor Conference Room, 40 Fountain Street

The Monthly Meeting of the Retirement Board was called to order at 9:12 a.m., Wednesday July 14, 2010 in the 8th Floor Conference Room, 40 Fountain Street, Providence, RI.

I. Roll Call of Members

The following members were present at roll call: General Treasurer Frank T. Caprio; Gary R. Alger; Daniel L. Beardsley; Roger P. Boudreau; Michael R. Boyce; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Louis M. Prata; Linda C. Riendeau; Susan Knorr Rodriguez and Jean Rondeau. Louis M Prata left the meeting at 10:45 a.m.

Also in attendance: Frank J. Karpinski, ERSRI Executive Director; Attorney Michael P. Robinson, Board Counsel.

Recognizing a quorum, Treasurer Caprio called the meeting to order.

II. Approval of Minutes

On a motion by Roger P. Boudreau, and seconded by Gary R. Alger and Linda C. Riendeau, it was unanimously

VOTED: To approve the draft minutes of the June 12, 2010 meeting of the Employees' Retirement System of Rhode Island Board.

III. Chairman's Report

Treasurer Caprio apprised the Board that the Building Subcommittee met at 8:30 a.m. before the Board meeting and asked that Chief of Staff, Mark Dingley, Esq., give a report on the findings of the Subcommittee in lieu of his report. Attorney Dingley apprised the Board on the issues raised and the resolutions provided during the meeting regarding the relocation of the Retirement office to 50 Service Avenue in Warwick, RI. He said the Department of Administration has estimated the General Treasurer's overall occupancy cost will be \$88,034 annually based on the square footage of 20,473 feet, which includes utilities, maintenance and cleaning costs. Attorney Dingley told the Board that the annual costs for Retirement, based on a 50% allocation that includes Retirement Administration and Investments, will be \$44,017. Given the estimated costs he outlined, Attorney Dingley told the Board that this will result in a savings of \$270,596 annually for Retirement. Mr. Prata requested that the Building Subcommittee continue to oversee the renovations of the building until completion. Chief of Staff Dingley concurred.

At the conclusion of the discussion, a motion was made by Louis M. Prata and seconded by Gary R. Alger to affirm the recommendation of the Building Subcommittee to relocate the Retirement Office to 50 Service Avenue in Warwick, RI. A roll call was taken. The following members voted Yea: General Treasurer Frank T. Caprio; Gary R. Alger; Daniel L. Beardsley; Roger P. Boudreau; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Louis M. Prata; Linda C. Riendeau; and Susan Knorr Rodriguez; and Jean Rondeau. Michael R. Boyce voted Nay.

There being 12 votes to cast, 11 voted in the affirmative, consistent with Rhode Island General Laws section 36-8-6, Votes of the Board—Record of Proceedings, there being a majority vote of the members present and voting at which a quorum was present, it was

VOTED: To affirm the recommendation of the Building Subcommittee to relocate the Retirement Office to 50 Service Avenue in Warwick, RI.

IV. Executive Director's Report

The Director informed the Board that an email newsletter was sent out on June 25, 2010 to approximately 18,000 members regarding the COLA pension reform from Article 16 Substitute A in the FY 2010 Budget. He said that a hard copy will be mailed shortly including the COLA changes, explaining the details of the paperless direct deposit receipt and recent changes to the web-site.

The Director advised the Board that a public hearing was held regarding changes to Regulation Numbers 1, 4 and 9 on July 8, 2010. He said there were no attendees so the formal promulgation process will begin.

The Director then discussed H8063. He advised the Board that the State portion of the fund has been reconciled and the Teacher's portion will be reconciled after the July 15, 2010 Teacher contributions are due to be received.

He closed by saying that representatives from L.R. Wechsler, Ltd will be at ERSRI the week of July 22, 2010 to continue the RFP process for the computer system.

V. Presentation of the Actuarial Valuation as of June 30, 2009 by *Gabriel, Roeder, Smith and Company* for the Employees' Retirement System, Municipal Employees' Retirement System, Judicial Retirement Benefits Trust and the State Police Retirement Benefits Trusts

Treasurer Caprio introduced Messer's Mark Randall, Executive Vice President and Joe Newton, Senior Consultant, to present the actuarial valuation as of June 30, 2009.

Mr. Randall began by telling the Board that the valuation was prepared as of June 30, 2009, using member data provided by ERSRI Staff. He said the valuation reflects the impact of Article 16 Substitute A from the FY 2010 budget and the actuarial assumptions and methods previously approved by the Retirement Board. Modifications were also made for changes in retirement and disability made by Article 7, Substitute A in 2009.

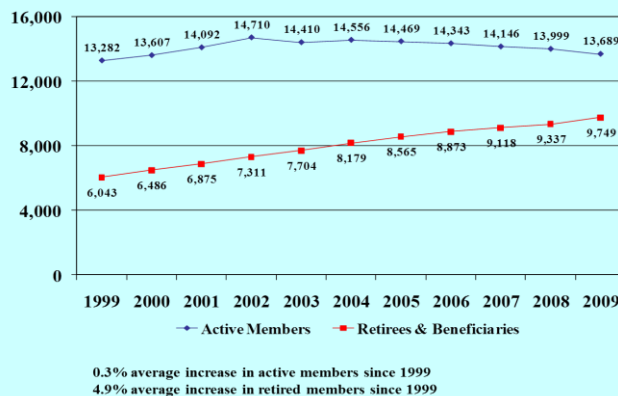
Mr. Randall discussed the changes made to COLA provisions by Article 16; he said it only applies to State Employees, Teachers and Judges. The changes are generally

effective September 30, 2009 with a grandfathering date of June 12, 2010. He told the Board the amendment revises the previously calculated contribution rates. Therefore, the latest rates will be effective for the two-year period July 1, 2009 to June 30, 2011. Mr. Randall told the Board that the change only impacts currently non-grandfathered members from Article 7 who were still not-eligible as of June 12, 2010. He said the first COLA to affected members will be paid on the 3rd anniversary of retirement or age 65, whichever is latest; he said a limit is also placed on the amount of the member's benefit applicable for COLA of \$35,000 beginning in 2010, indexed the same as the Schedule B COLA which is the lesser of the CPI increase or 3.00%.

Mr. Newton then discussed the assets of the plan. He said the fair market value, in total, for all plans decreased from \$7.88 billion to \$6.07 billion with a rate of return on market of approximately -20.1% in FY 2009. He said the average market return for the last ten years is 1.83%, net of all investment and administrative expenses, compared to the assumed 8.25% investment return assumption. Mr. Newton told the Board that all actuarial calculations use actuarial value of assets (AVA), not market value; the AVA is used for smoother more consistent contribution rates over time

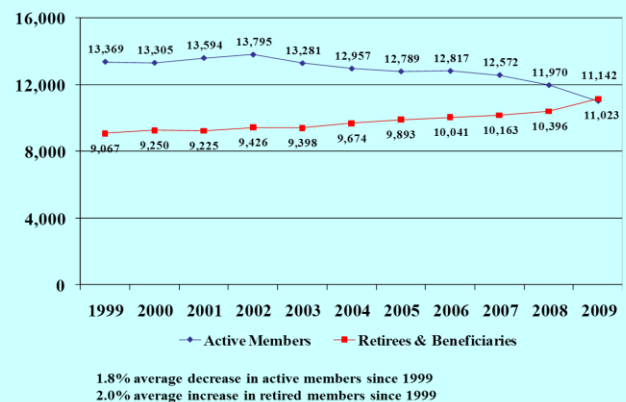
Mr. Newton then provided the Board the following charts regarding membership of the State and Teacher Plan:

Membership – Teachers



15

Membership – State Employees

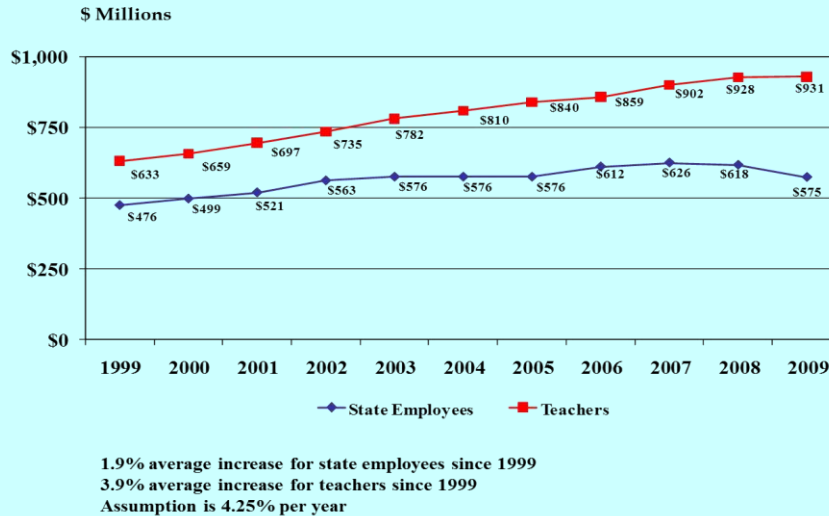


14

Mr. Randall apprised the Board that there are now 1.0 active State Employees and 1.4 active Teachers for each retiree; he said the ratio has decreased slightly over last ten years, from 1.5 and 2.2, respectively. Mr. Randall told the Board that this means there is less payroll to spread out the volatility in the investment performance which means that contributions will become more volatile and may lead to a more conservative approach to asset allocation.

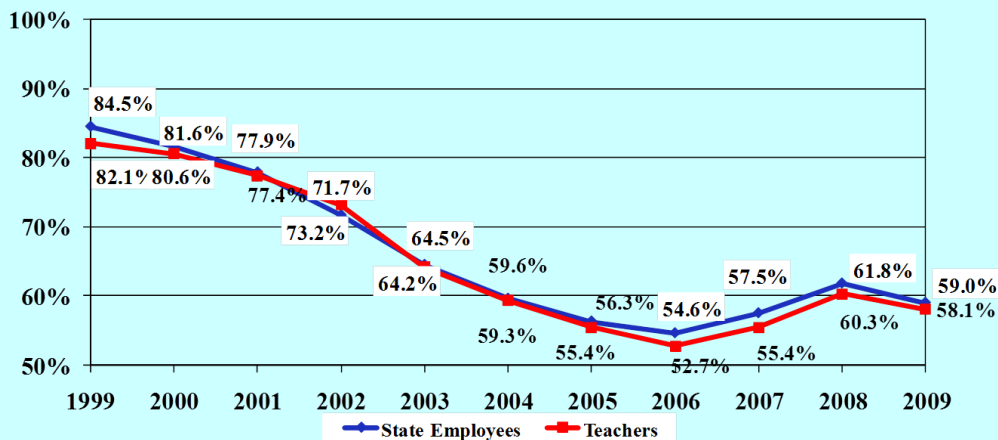
Mr. Randall then provided the Board with the following graph regarding active covered payroll for State Employees and Teachers.

Payroll – ERSRI



Mr. Randall next discussed the actuarial results with the Board, he said for State Employees, the unfunded actuarial accrued liability (UAAL) increased from \$1,671 million to \$1,836 million, for Teachers, the UAAL increased from \$2,661 million to \$2,892 million. The funded ratio (actuarial assets divided by actuarial accrued liability) decreased from 61.8% to 59.0% for State Employees and from 60.3% to 58.1% for Teachers. He then provided the Board with the following chart of the trend of funded ratios:

GASB #25 Funded Ratios – ERSRI



Mr. Randall then provided the Board with an analysis of the change in employer rate for State Employees and Teachers.

Basis	State Employees	Teachers
1. Employer contribution rate from 2008 valuation	21.64%	20.07%
2. Impact of changes		
a. Non-salary liability (gain)/loss	0.73%	0.53%
b. Salary (gain)/loss	(0.07%)	(0.11%)
c. Total payroll growth (gain)/loss	(0.62%)	0.89%
d. Investment experience (gain)/loss	2.16%	2.00%
e. Changes in assumptions	0.00%	0.00%
f. Changes in benefit provisions	(0.86%)	(1.06%)
3. Employer contribution rate from 2009 valuation	22.98%	22.32%

Mr. Newton provided a presentation of the State Police and Judicial Retirement Benefits Trust. He provided the Board the following executive summaries:

Employer Contribution Rates – State Police

Item	2009	2008
Employer NC%	17.14%	17.19%
Amortization rate	8.25%	7.39%
Total	25.39%	24.58%
FY ending June 30,	2012	2011
Payroll Projected 2 Yrs.	\$14.5	\$14.0
Projected Contribution	\$3.7	\$3.5

Dollar amounts in millions

Employer Contribution Rates – Judges

Item	2009	2008
Employer NC%	13.46%	13.38%
Amortization rate	5.23%	2.81%
Total	18.69%	16.19%
FY ending June 30,	2012	2011
Payroll Projected 2 Yrs.	\$7.8	\$7.5
Projected Contribution	\$1.45	\$1.22

Dollar amounts in millions
Art. 16 also applies to Judges

Mr. Newton then continued his presentation with the Municipal Employees Retirement System (MERS); he said there were no new units, no closed units, no merged units, no new 20-year retirement elections for police and fire and no new COLA elections. He told the Board that Article 16 Substitute A from the FY 2010 budget does not apply to MERS units.

Mr. Newton discussed the actuarial results with the Board, he said for MERS, the unfunded actuarial accrued liability (UAAL) for all units combined is \$159 million, compared to \$85 million last year, the aggregate funded ratio (actuarial assets divided

by actuarial accrued liability) for all units combined decreased from 93.3% to 88.3%. He apprised the Board that the results for individual units are shown in Table 7 of the actuarial valuation report which identifies 41 units that have funded ratios over 100%; there were 47 last year. Mr. Newton provided the Board with the following rate analysis of the member units:

Number of Units	General	Police/Fire
1. No change	5	2
2. New units	0	0
3. Rate decreases	5	6
4. Rate increases	56	35
5. Total	66	43
6. Units with no required employer contributions	6	2

Mr. Newton then reviewed the following rate change analysis with the Board; he apprised them that the analysis is an average since each plan is valued separately:

Basis	General Employees	Police and Fire
1. Average Employer contribution rate from 2008 valuation	7.52%	15.42%
2. Impact of changes		
a. Non-salary liability (gain)/loss	0.31%	0.12%
b. Salary (gain)/loss	(0.19%)	(0.34%)
c. Total payroll growth (gain)/loss	0.09%	0.08%
d. Investment experience (gain)/loss	1.86%	1.96%
e. Changes in assumptions	0.00%	0.00%
f. Changes in benefit provisions	<u>0.00%</u>	<u>0.00%</u>
3. Average Employer contribution rate from 2009 valuation	9.59%	17.24%

Messer's Randall and Newton concluded their comments and discussed the next valuation i.e. as of June 30, 2010. They apprised the Board they should be prepared for and consider the current economic events and their impact on the next valuation. In addition, they said next year the impact from investment losses is expected to be similar to this year's valuation. They also voiced their concern about whether or not the active counts (payroll) will continue to decline.

They concluded their presentation and apprised the Board that the Experience Study will be presented next spring.

Treasurer Caprio thanked Messer's Randall and Newton for their presentation. A motion was then made by Thomas A. Mullaney and seconded by Jean Rondeau to certify the fiscal year 2012 contribution rates as a result of the June 30, 2009 valuation. A roll

call was taken. The following members voted Yea: General Treasurer Frank T. Caprio; Gary R. Alger; Daniel L. Beardsley; Roger P. Boudreau; Michael R. Boyce; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Linda C. Riendeau; and Susan Knorr Rodriguez; and Jean Rondeau.

There being 11 votes to cast, 11 voted in the affirmative, consistent with Rhode Island General Laws section 36-8-6, Votes of the Board–Record of Proceedings, there being a majority vote of the members present and voting at which a quorum was present, it was unanimously

VOTED: To certify the contribution rates for State Employees, Teachers, Municipal Employees, Judges and State Police for Fiscal Year 2012 as a result of the June 30, 2009 valuation prepared by Gabriel Roeder, Smith and Company.

Director Karpinski then requested that the Board re-certify the fiscal year 2010 and 2011 revised contribution rates as a result of Article 16 Substitute A from the FY 2010 budget, relating to pension reform, as presented in Gabriel, Roeder, Smith and Company's (GRS) July 7, 2010 letter. A motion was then made by Thomas A. Mullaney and seconded by Jean Rondeau to re-certify the fiscal year 2010 and 2011 revised contribution rates. A roll call was taken. The following members voted Yea: General Treasurer Frank T. Caprio; Gary R. Alger; Daniel L. Beardsley; Roger P. Boudreau; Michael R. Boyce; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Linda C. Riendeau; and Susan Knorr Rodriguez; and Jean Rondeau.

There being 11 votes to cast, 11 voted in the affirmative, consistent with Rhode Island General Laws section 36-8-6, Votes of the Board–Record of Proceedings, there being a majority vote of the members present and voting at which a quorum was present, it was unanimously

VOTED: To re-certify the fiscal year 2010 and 2011 revised contribution rates as a result of Article 16 Substitute A from the FY 2010 budget, relating to pension reform, as presented in Gabriel, Roeder, Smith and Company's July 7, 2010 letter.

VI. Administrative Decisions

(None)

VII. Approval of the June Pensions as Presented by ERSRI

On a motion by Roger P. Boudreau and seconded by Michael R. Boyce, it was unanimously

VOTED: To approve the June pensions as presented.

VIII. Legal Counsel Report

Attorney Michael Robinson noted that there were no new filings this month.

IX. Committee Reports

Disability Subcommittee: The Disability Subcommittee recommended the following actions on disability applications as a result of its July 9, 2010 meeting for approval by the full Board.

Name	Membership Group	Type	Action
1. Shirley Kinsey	Teacher	Accidental	Postpone
2. Karen Giorgi	State	Accidental	Approve
3. Rebecca Aubuchon	State	Accidental	Deny
4. Rebecca Delsesto	State	Accidental	Approve
5. Dawn Lampman	State	Ordinary	Approve
6. James Snead	Teacher	Ordinary	Approve
7. Laura Albanese	Teacher	Ordinary	Approve
8. Louise Pettinicchio	State	Ordinary	Approve
9. Brenda Gregoire	Teacher	Ordinary	Approve
10. Helen Swallow	State	Ordinary	Approve
11. Jerry Prete	Case Review	Accidental	Postpone

On a motion by Michael R. Boyce and seconded by Roger P. Boudreau, it was

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, July 9, 2010 on items 1, 6, 7 and 9.

John P. Maguire recused himself from items 1, 6, 7 and 9.

On a motion by Michael R. Boyce and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, July 9, 2010 on items 2,3,4,5,8,10 and 11.

X. New Business

The Treasurer said past practice will be followed and there will not be a Retirement Board meeting in August. A motion was made by Jean Rondeau and seconded by Thomas A. Mullaney, it was unanimously

VOTED: That there is no August 2010 meeting of the Retirement Board but with the ability to call one if necessary.

XI. Adjournment

There being no other business to come before the Board, on a motion by Michael R. Boyce and seconded by Roger P. Boudreau and Linda C. Riendeau, the meeting adjourned at 11:13 a.m.

Respectfully submitted,

Frank J. Karpinski
Executive Director